GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2169
ANSWERED ON:29.07.2016
Credit Flow to Silk Industries
Chowdhury Shri Adhir Ranjan

Will the Minister of FINANCE be pleased to state:

(a) whether the public sector banks/financial institutions provide loan to sick industries, if so, the details thereof; and
(b) the steps taken/being taken by the Government to increase credit flow to sick Industries?

Answer

The Minister of State in the Ministry of Finance

(a): Yes, Madam. Banks provide loan to sick Micro and Small Enterprises (MSE) and are given need based financial support when found viable by undertaking a Techno Economic Viability (TEV) study as per Reserve Bank of India (RBI) guidelines. After determining the viability of the sick units, rehabilitation packages, which include additional funding, reduction in rate of interest, waiver of penal interest etc is being extended to sick companies. Till 31.03.2015 Rs. 257.10 billion to 5,34,861 sick MSE units have been financed by Scheduled Commercial Banks (SCBs).
Further, the sick industries referred to Board for Industrial and Financial Reconstruction (BIFR), where sanctioned scheme is in operation, financial assistance would be provided by way of loans by SCBs and Public Financial Institutions. As on 18/07/2016, 6334 references have been registered in BIFR and 5376 references have been discharged.

(b): In order to provide a simpler and faster mechanism to address the stress in the accounts of Micro, Small and Medium Enterprises (MSMEs), Government of India, vide Gazette Notification dated May 29, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'. However, certain changes in the captioned framework have been carried out in order to make it compatible with the existing regulatory guidelines of Reserve Bank of India (RBI). The RBI has notified the same on 17.03.2016 for revival and rehabilitation of MSMEs having loan limits up to Rs. 25 crore. Restructuring of loan accounts with exposure of above Rs. 25 crore continue to be governed by the extant guidelines on Corporate Debt Restructuring (CDR)/Joint Lender's Forum (JLF) mechanism.
In order to provide timely financial support to MSE facing financial difficulties during their Life Cycle, guidelines have been issued to banks to review their existing lending policies to the MSE sector and tune these policies by incorporating therein the provisions for sanctioning of Standby Credit Facility in case of term loans, Additional Working Capital Limits, Mid Term Review of Regular Working Capital Limits, Timelines for Credit Decisions, so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances.
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